

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 COME-00 AGR-20 TRSE-00 AID-20

IGA-02 SS-20 SPC-03 CIAE-00 INR-10 NSAE-00 RSC-01

DRC-01 IO-14 OPIC-12 XMB-07 /133 W

----- 042964

R 151001Z FEB 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 1109

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E.O. 11652: N/A

TAGS: EAGR, BGEN, EIND, RP

SUBJECT: POSSIBLE NEW SUGAR MILL CONSTRUCTION

1. EMBASSY WOULD LIKE TO CALL TO DEPARTMENT'S ATTENTION
COMPREHENSIVE AGATTACHE REPORT PH4004 OF FEB. 12, 1974,
"PROSPECTIVE SUGAR PRODUCTION IN PHILIPPINES."

2. SUGAR MILLING HAS FOR SEVERAL YEARS BEEN DESIGNATED BY
BOARD OF INVESTMENTS AS OVERCROWDED AREA IN WHICH NO NEW
INVESTMENTS WILL BE ALLOWED. NEVERTHELESS, SEVEN INVESTMENT
APPLICATIONS FOR NEW MILLS HAVE REPORTEDLY BEEN SUBMITTED,
ACCOMPANIED BY RESULTANT PRESSURES FOR RELAXATION BOI
BAN. BOI POSITION HAS BEEN FORCEFULLY SUPPORTED BY NEDA
DIRECTOR SICAT, WHO COMMISSIONED SEVERAL MONTHS AGO A
MACROECONOMIC STUDY OF NEED FOR SUGAR INVESTMENT, APPARENTLY
AS OFFSET TO MOUNTING PRESSURES FOR EXPANSION.

3. NEDA REPORT, PREAPRED BY INVESTMENT COORDINATING COMMITTEE
OF NEDA, SUBMITTED APPROXIMATELY ONE WEEK PRIOR TO FEBRUARY 2
DECREE ESTABLISHING PHILIPPINE SUGAR COMMISSION (DESCRIBED
PH 4004). IT CONCLUDED THAT SUGAR MILLING SHOULD RETAIN
ITS DESIGNATION AS OVERCROWDED AREA.

4. DECREE ESTABLISHING PHILIPPINE SUGAR COMMISSION (PSC)

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HAD BEEN INDEPENDENTLY UNDER PREPARATION. ITS ISSUANCE WAS

PRECEDED BY ABOUT ONE WEEK BY STATEMENT OF AGRUCULTURE SECRETARY TANCO THAT HE HAD RECOMMENDED TO PRESIDENT MARCOS CONSTRUCTION OF FIE NEW MILLS. A NUMBER OF SOURCES HAVE SUBSEQUENTLY REPORTED THAT PRESIDENT MARCOS HAS IN PRIVATE ALREADY APPROVED FIVE NEW MILLS.

5. CHAIRMAN OF NEDA INVESTMENT COORDINATING COMMITTEE HAS DISCLOSED TO EMBOFF THAT PSC WILL, WHEN CONSTITUTED, DECIDE SUGAR MILL APPLICATIONS ON CASE-BY-CASE BASIS, WITHOUT REFERRAL TO EITHER BOI OR NEDA. HE WAS RELUCTANT TO DISCUSS DETAILS, AS HAVE BEEN ALL OTHERS CONTACTED ABOUT MILL DEVELOPMENTS, BUT CLEARLY NEDA AND BOI HAVE LOST AN IMPORTANT BATTLE. NEDA DIRECTOR GENERAL SICAT STATED PUBLICLY ON FEBRUARY 1 THAT BOI WOULD SCREEN ALL SUGAR INVESTMENT PROPOSALS AND THAT NEW MILLS, "IF EVER CONSIDERED," WOULD BE TREATED AS SPECIAL CASES REQUIRED TO MEET PRE-DETERMINED GUIDELINES SET BY GOVERNMENT.

6. U.S. ENGINEERING FIRM PROCON TOGETHER WITH FULTON IRON WORKS OF ST. LOUIS HAS FOR TWO YEARS BEEN PURSUING THREE SUGAR MILL PROJECTS. PROCON REPS SAW PRESIDENT MARCOS IN DECEMBER, LOCAL AGENT OF FULTON REPORTS THAT PHILIPPINE INVESTOR IN CAVITE PROJECT OF PROCON/FULTON STATES IT IS ONE OF FIVE APPROVED BY MARCOS. AGENT STATES PROCON MAY GET SECOND PROJECT AND THAT INVESTOR IN THIRD PROJECT PROBABLY WILL OPT FOR FRENCH OR JAPANESE EQUIPMENT.

7. AS SHOWN PH 4004, THERE ARE PLAUSIBLE ARGUMENTS FOR AND AGAINST CONSTRUCTION NEW MILLS. HOWEVER, HEAVY JAPANESE LOBBYING INITIALLY TO SELL EQUIPMENT HAS INFLUENCED DIRECTION EVENTS ARE TAKING AND CAN MATERIALLY HURT PROSPECTS OF U.S. BIDDERS. NEVERTHELESS, APPEARS CLEAR THAT NO FORMAL, PUBLIC DECISION ON NEW MILLS WILL BE ANNOUNCED UNTIL AFTER PSC HAS BEEN CONSTITUTED AND ANNOUNCED ITS GUIDELINES FOR CONSIDERATION OF NEW MILL APPLICATIONS.

SULLIVAN

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Message Attributes

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Draft Date: 15 FEB 1974
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Decaption Note:
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Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
Enclosure: n/a
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Errors: N/A
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30 JUN 2005

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